

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company (U 338-E) for a Certificate of Public Convenience and Necessity Concerning the Devers-Palo Verde No. 2 Transmission Line Project.

Application 05-04-015
(Filed April 11, 2005)

Order Instituting Investigation on the Commission's Own Motion into Methodology for Economic Assessment of Transmission Projects.

Investigation 05-06-041
(Filed June 30, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING
ADDRESSING SCHEDULE AND OTHER PROCEDURAL MATTERS**

I. Summary

A joint workshop was held on September 14 – 15, 2005 in these proceedings, as directed in the August 26, 2005 scoping memo. In this ruling, I modify the schedule and provide direction regarding comments to be filed following the workshop. I also modify the date for submission of direct testimony by the California Independent System Operator (CAISO) in Phase 1 and address the submission of additional cost information by Southern California Edison Company (SCE).

II. Workshop Results

The scoping memo contemplated that the Energy Division would prepare a workshop report following the September 14 - 15, 2005 workshop. However, because the workshop was transcribed, the parties agreed at the workshop that a workshop report is not needed and that adequate guidance for comments could

be provided through an administrative law judge's (ALJ) ruling. Therefore, I delete the requirement for a workshop report.

On September 7, 2005, the CAISO distributed electronically a report addressing principles and standards for application of its Transmission Economic Assessment Methodology (TEAM), as directed by the scoping memo. In addition, the CAISO, SCE, and the Office of Ratepayer Advocates (ORA) distributed handouts as part of their presentations during the workshop. For completeness of the record, the September 7, 2005 CAISO report and the CAISO, SCE, and ORA workshop handouts are attached to this ruling.

At the workshop, the CAISO also made available copies of its June 2004 report on TEAM¹ and its February 2005 economic evaluation of DPV2. In Section V of this ruling, I require that the CAISO provide these analyses as part of its direct testimony in Phase 1. While these documents are not attached to this ruling, parties may reference the documents in their filed comments, as appropriate.

III. Issues to Be Considered in I.05-06-041 in Phase 1

In Application (A.) 05-04-015, the Commission is evaluating SCE's request for a Certificate of Public Convenience and Necessity (CPCN) for the proposed Devers-Palo Verde No. 2 (DPV2) transmission line project. The Commission opened Investigation (I.) 05-06-041 to consider the appropriate principles and methodologies for assessment of the economic benefits of transmission projects.

¹ The CAISO submitted its June 2004 report, which sets forth its general TEAM approach and applies the methodology in a transmission feasibility study of Path 26, as testimony in I.00-11-001. I.05-06-041 subsumes the issues previously under consideration in I.00-11-001 regarding the economic evaluation of transmission lines.

While the two proceedings are being coordinated, the Order Instituting Investigation (OII) provided guidance that our investigation of methodologies for evaluating the economic benefits of transmission projects will not delay our timely assessment of DPV2.

The scoping memo for the two proceedings established a schedule in which need issues and the economic methodology used to assess cost effectiveness will be addressed in Phase 1, which will be held in both proceedings. Phase 2, in A.05-04-015 only, will address environmental, routing, and other issues related to DPV2.

Among other issues in I.05-06-015, the Commission plans to address validation of and reliance on CAISO assessments of need in Commission certificate proceedings. At the workshop on September 15, 2005, CAISO counsel made a statement and there was ensuing discussion regarding Commission reliance on CAISO economic need analyses. While I do not attempt to specify the views of any individual party, it appears that many of the parties support procedures similar to the following:

1. In I.05-06-041, the Commission would adopt principles, a framework for decision-making, and criteria for the economic analysis of transmission lines.
2. In subsequent certificate proceedings, the Commission would evaluate whether the CAISO, in evaluating economic need for the proposed project, has followed the guidance provided by the Commission in a reasonable manner.
3. If so, the Commission would adopt the CAISO's economic determination, so that the outcomes at the CAISO and the Commission would be consistent.

While the discussion was free-flowing, some parties expressed several reasons for their support of such procedures at this time, including that the

CAISO's TEAM approach continues to evolve and that a full analysis and review of TEAM would not be possible within the schedule for Phase 1 set forth in the scoping memo.

After discussion with the Assigned Commissioner and consistent with the guidance in the OII regarding the timely assessment of DPV2, I agree that a complete validation of CAISO's TEAM approach should not be pursued at this time. Instead, Phase 1 will address the following issues related to I.05-06-041, in addition to issues related to need for DPV2:

- What general principles or methodologies should be employed in assessing the economic benefits of transmission projects within the Commission's jurisdiction?
- Is the CAISO's TEAM approach, as applied to Path 26 and to DPV2, consistent with such general principles or methodologies?
- Are the suggested procedures enumerated above in this ruling a reasonable approach at this time for the Commission's assessment of the economic benefits of transmission projects?
- After the Commission adopts general principles or methodologies for assessing the economic benefits of transmission projects, how should the Commission evaluate in a certification proceeding whether the CAISO, in evaluating economic need for the proposed project, has followed the guidance provided by the Commission in a reasonable manner?
- If the Commission determines in a certification proceeding for a transmission project proposed for its economic benefits that a CAISO assessment of need has followed the guidance provided by the Commission in a reasonable manner, are there additional requirements that must be met in the Commission's determination of economic benefits and need for the project?
- For those certification proceedings for transmission projects proposed for economic benefits where there is no CAISO assessment of need that the Commission has found to be reasonable and consistent with guidance provided in this

investigation, what requirements should the Commission adopt for consideration of economic benefits and need?

Consideration of these issues in I.05-06-041, in conjunction with the assessment of need for DPV2, should further the Commission's goal of streamlining transmission planning and help ensure consistency in Commission and CAISO results. After Phase 1, the Commission may undertake additional investigation in I.05-06-041 to validate CAISO's TEAM approach or may take other steps to further streamline the regulatory review of transmission projects proposed for their economic benefits.

IV. Filing of Comments After the Workshop

Parties may file written comments on Phase 1 issues no later than October 6, 2005. The date for reply comments continues to be October 20, 2005.

In addition to the substantive Phase 1 issues identified in the scoping memo, as modified by this ruling, parties' comments should address the following procedural issues:

- What portions of the Phase 1 issues can be decided based on the filed comments and reply comments?
- What portions of the Phase 1 issues warrant testimony and evidentiary hearings?

As provided in the scoping memo, I will issue an ALJ ruling following receipt of comments and reply comments providing further guidance, as appropriate, regarding the scope of Phase 1 testimony and evidentiary hearings.

V. Submittal of Direct Testimony in Phase 1

The schedule adopted in the scoping memo provided for the submittal of concurrent Phase 1 direct testimony on November 22, 2005. During the workshop, parties discussed whether the CAISO should submit its direct

testimony earlier than that, in order to allow additional time for other parties' evaluation prior to submittal of Phase 1 rebuttal testimony.

With the narrowing of Phase 1 issues adopted in this ruling, it is reasonable to require that the CAISO submit direct testimony no later than October 21, 2005 including at least the CAISO's June 2004 TEAM report and its economic analysis of DPV2, as referenced in the OII (footnotes 4 and 6). I note that SCE filed direct testimony on need and other issues with its application in A.05-04-015. Both parties may submit supplemental direct testimony, if desired, no later than November 22, 2005, as provided in the scoping memo.

VI. Additional Information and Testimony Regarding DPV2 Costs

In the scoping memo, the Assigned Commissioner directed SCE to submit additional information and testimony regarding DPV2 project costs. The scoping memo instructed the ALJ to provide further guidance regarding the cost information SCE is to provide. I recognize that comprehensive DPV2 cost estimates may not be available until later in the environmental review process. Because of this, I direct that SCE provide detailed cost information regarding the proposed project and alternatives as part of its supplemental direct testimony in Phase 2 of A.05-04-015.

The Commission's determination of need for DPV2 will depend on the assessment of costs of DPV2 and alternatives, environmental review, and other issues to be examined in Phase 2, in addition to Phase 1 issues. In Phase 1 testimony, each party should specify what level and components of costs for DPV2 it assumes in any need analysis. Each party should also specify how a change in DPV2 costs would affect its need analysis. In particular, any party presenting benefit-cost analyses should specify, through a formula if appropriate,

exactly how a change in the cost of DPV2 would change any benefit-cost ratios or other benefit-cost comparisons in its testimony.

VII. Summary

For clarity, the schedule for these proceedings, as revised by this ruling, is as follows:

A.05-04-015 filed	April 11, 2005
First deficiency notice to SCE	May 11, 2005
I.05-06-041 adopted	June 30, 2005
SCE response to deficiency notice	July 12, 2005
Joint PHC	July 20, 2005
Second deficiency notice to SCE	July 25, 2005
Third deficiency notice to SCE	August 25, 2005
Scoping memo	August 26, 2005
SCE plan to respond to remaining deficiencies	August 31, 2005 – mid-September 2005
CAISO report on economic methodology	September 7, 2005
Joint workshop on economic methodology, with application to DPV2	September 14-15, 2005
ALJ ruling providing for Phase 1 (A.05-04-015 and I.05-06-041) comments	September 27, 2005
A.05-04-015 deemed complete	September 30, 2005
Comments on Phase 1 issues	October 6, 2005
Reply comments on Phase 1 issues	October 20, 2005
CAISO Phase 1 direct testimony	October 21, 2005
ALJ ruling on Phase 1 hearings	October 27, 2005
Notice of Preparation (California Environmental Quality Act (CEQA))/Notice of Intent (National Environmental Policy Act) issued	October 2005
CEQA scoping meetings and agency meetings	October – November 2005
SCE and CAISO Phase 1 supplemental direct and	November 22, 2005

other parties' Phase 1 direct testimony	
Concurrent Phase 1 rebuttal testimony	December 21, 2005
Phase 1 evidentiary hearings	January 9 – 13, 2006
Concurrent Phase 1 opening briefs	February 10, 2006
Concurrent Phase 1 reply briefs and submission of Phase 1 record	February 24, 2006
Draft Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) released	May 1, 2006
Draft EIR/EIS review period	May 1, 2006 – June 29, 2006
Public participation hearings during 60-day Draft EIR/EIS review period	Mid-May to mid-June, 2006
Proposed Decision in I.05-06-041	May 2006
Phase 2 (A.05-04-015 only) SCE supplemental direct and other parties' direct testimony	June 1, 2006
Commission Decision in I.05-06-041	June 2006
Concurrent Phase 2 rebuttal testimony	June 30, 2006
Phase 2 evidentiary hearings	July 10 – 14, 2006
Concurrent Phase 2 opening briefs	Early August 2006
Final EIR/EIS released	August 11, 2006
Concurrent Phase 2 reply briefs and submission of Phase 2 record	Late August 2006
Proposed Decision on CPCN/certifying final EIR	November 2006
Commission Decision on CPCN/certifying Final EIR	December 2006

Because of time considerations, parties were provided advance electronic notice of this ruling.

Therefore, **IT IS RULED** that:

1. The schedule in Application (A.) 05-04-015 and Investigation (I.) 05-06-041 is modified as set forth in this ruling.

2. The Energy Division is not required to prepare a workshop report following the September 14 - 15, 2005 workshop.
3. The scope of I.05-06-041 issues to be considered in Phase 1 of these proceedings is modified as set forth in this ruling.
4. Parties may file comments on Phase 1 issues no later than October 6, 2005, as set forth in this ruling.
5. The California Independent System Operator shall submit direct testimony in Phase 1 no later than October 21, 2005, as set forth in this ruling.
6. Southern California Edison Company shall submit detailed cost information regarding the proposed Devers-Palo Verde No. 2 (DPV2) project and alternatives as part of its supplemental direct testimony in Phase 2 of A.05-04-015.
7. Each party submitting testimony in Phase 1 shall specify what level and components of costs for DPV2 it assumes in its need analysis and how a change in the cost of DPV2 would affect any benefit-cost ratios or other benefit-cost comparisons in its testimony.

Dated September 27, 2005, at San Francisco, California.

/ CHARLOTTE F. TERKEURST
Charlotte F. TerKeurst
Administrative Law Judge

